

CITY OF IDA GROVE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-6
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 7-8
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	B 9-10
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	C 11
Notes to Financial Statements	12-21
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements, And Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	23
Notes to Other Information - Budgetary Reporting	24
Schedule of the City's Proportionate Share of the Net Pension Liability	25
Schedule of City Contributions	26
Notes to Other Information – Pension Liability	27
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Governmental Funds	1 29
Schedule of Indebtedness	2 30
Bond and Note Maturities	3 31
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 32
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Schedule of Findings	35-38

CITY OF IDA GROVE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Morris Hurd	Mayor	January 2018
Bill Carnine	Council Member	January 2016
Paul Cates	Council Member	January 2016
Robert Fineran	Council Member	January 2016
Doug Clough	Council Member	January 2018
Ryan Goodman	Council Member	January 2018
Edie Ball	Clerk	Indefinite
Laurel Boerner	Attorney	Indefinite

HUNZELMAN, PUTZIER & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Ida Grove adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 23 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of City of Ida Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ida Grove's internal control over financial reporting and compliance.

Hunzelman, Putzger & Co., PLLC

March 9, 2016

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Governmental activities:								
Public safety	\$ 426,690	\$ 12,073	\$ 77,653	\$ 114,136	\$ (222,828)	\$ -	\$ (222,828)	\$ -
Public works	311,756	4,330	227,206	-	(80,220)	-	(80,220)	-
Health and social services	4,886	-	-	-	(4,886)	-	(4,886)	-
Culture and recreation	518,565	171,318	78,962	-	(268,285)	-	(268,285)	-
Community and economic development	-	8,199	25,216	-	33,415	-	33,415	-
General government	201,607	4,781	2,166	-	(194,660)	-	(194,660)	-
Debt service	200,434	-	-	-	(200,434)	-	(200,434)	-
Capital projects	2,222,042	-	505	1,115,325	(1,106,212)	-	(1,106,212)	-
Total governmental activities	3,885,980	200,701	411,708	1,229,461	(2,044,110)	-	(2,044,110)	-
Busines type activities:								
Water	205,564	313,732	-	-	-	108,168	108,168	-
Sewer	359,469	269,337	-	-	-	(90,132)	(90,132)	-
Solid Waste	163,863	173,783	-	-	-	9,920	9,920	-
Total business type activities	728,896	756,852	-	-	-	27,956	27,956	-
Total primary government	\$ 4,614,876	\$ 957,553	\$ 411,708	\$ 1,229,461	(2,044,110)	27,956	(2,016,154)	-
Component Unit:								
Ida Grove Community Rec Center								
Endowment Trust	\$ 1,445	\$ -	\$ -	\$ -	-	-	-	(1,445)
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					885,167	-	885,167	-
Debt service					25,006	-	25,006	-
Tax increment financing					88,678	-	88,678	-
Local option sales tax					196,325	-	196,325	-
Hotel-motel tax					39,342	-	39,342	-
Unrestricted interest on investments					2,245	-	2,245	2,963
Proceeds from long-term debt					625,000	142,570	767,570	-
Miscellaneous					41,571	-	41,571	-
Transfers					27,964	(27,964)	-	-
Total general receipts and transfers					1,931,298	114,606	2,045,904	2,963
Change in cash basis net position					(112,812)	142,562	29,750	1,518
Cash basis net position beginning of year					1,176,089	166,516	1,342,605	257,948
Cash basis net position end of year					\$ 1,063,277	\$ 309,078	\$ 1,372,355	\$ 259,466

(continued)

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A
(continued)

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	Component Unit
Cash Basis Net Position								
Restricted:								
Expendable:								
Streets					\$ 664,437	\$ -	\$ 664,437	\$ -
Tax increment financing projects					127,094	-	127,094	-
Other purposes					361,985	-	361,985	-
Ida Grove Community Rec Center					-	-	-	259,466
Unrestricted					(90,239)	309,078	218,839	-
Total cash basis net position					<u>\$ 1,063,277</u>	<u>\$ 309,078</u>	<u>\$ 1,372,355</u>	<u>\$ 259,466</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B

	Special Revenue						
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Nonmajor	Total
Receipts:							
Property tax	\$ 760,447	\$ -	\$ -	\$ -	\$ -	\$ 149,726	\$ 910,173
Tax increment financing	-	-	-	88,678	-	-	88,678
Other city tax	39,342	-	196,325	-	-	-	235,667
Licenses and permits	8,242	-	-	-	-	-	8,242
Use of money and property	57,940	-	-	-	-	-	57,940
Intergovernmental	37,726	222,730	-	-	100,841	114,136	475,433
Charges for services	136,965	-	-	-	-	-	136,965
Miscellaneous	192,117	-	-	-	1,014,989	-	1,207,106
Total receipts	<u>1,232,779</u>	<u>222,730</u>	<u>196,325</u>	<u>88,678</u>	<u>1,115,830</u>	<u>263,862</u>	<u>3,120,204</u>
Disbursements:							
Operating:							
Public safety	421,543	-	-	-	-	5,147	426,690
Public works	185,629	91,014	-	-	-	35,113	311,756
Health and social services	4,886	-	-	-	-	-	4,886
Culture and recreation	466,271	-	-	-	-	52,294	518,565
General government	171,165	-	-	-	-	30,442	201,607
Debt service	-	-	-	-	-	200,434	200,434
Capital Projects	-	-	-	-	2,222,042	-	2,222,042
Total disbursements	<u>1,249,494</u>	<u>91,014</u>	<u>-</u>	<u>-</u>	<u>2,222,042</u>	<u>323,430</u>	<u>3,885,980</u>
Excess (deficiency) of receipts over disbursements	<u>(16,715)</u>	<u>131,716</u>	<u>196,325</u>	<u>88,678</u>	<u>(1,106,212)</u>	<u>(59,568)</u>	<u>(765,776)</u>
Other financing sources (uses):							
Loan proceeds	-	-	-	-	625,000	-	625,000
Operating transfers in	28,043	-	-	-	414,298	109,966	552,307
Operating transfers out	(1,000)	-	(423,798)	(98,869)	(676)	-	(524,343)
Total other financing sources (uses)	<u>27,043</u>	<u>-</u>	<u>(423,798)</u>	<u>(98,869)</u>	<u>1,038,622</u>	<u>109,966</u>	<u>652,964</u>
Net change in cash balances	10,328	131,716	(227,473)	(10,191)	(67,590)	50,398	(112,812)
Cash balances beginning of year	<u>323,275</u>	<u>532,721</u>	<u>534,029</u>	<u>137,285</u>	<u>(277,716)</u>	<u>(73,505)</u>	<u>1,176,089</u>
Cash balances end of year	<u>\$ 333,603</u>	<u>\$ 664,437</u>	<u>\$ 306,556</u>	<u>\$ 127,094</u>	<u>\$ (345,306)</u>	<u>\$ (23,107)</u>	<u>\$ 1,063,277</u>

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B
(continued)

	Special Revenue						
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Nonmajor	Total
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	\$ 454,490	\$ -	\$ -	\$ -	\$ -	\$ 454,490
Tax increment financing projects	-	-	-	127,094	-	-	127,094
Other purposes	-	-	306,556	-	-	55,429	361,985
Assigned for equipment	-	209,947	-	-	-	-	209,947
Unassigned	333,603	-	-	-	(345,306)	(78,536)	(90,239)
Total cash basis fund balances	<u>\$ 333,603</u>	<u>\$ 664,437</u>	<u>\$ 306,556</u>	<u>\$ 127,094</u>	<u>\$ (345,306)</u>	<u>\$ (23,107)</u>	<u>\$ 1,063,277</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:				
Charges for services	\$ 308,471	\$ 269,204	\$ 173,783	\$ 751,458
Miscellaneous	<u>5,261</u>	<u>133</u>	<u>-</u>	<u>5,394</u>
Total operating receipts	313,732	269,337	173,783	756,852
Operating disbursements:				
Business type activities	<u>205,564</u>	<u>226,356</u>	<u>163,863</u>	<u>595,783</u>
Excess of operating receipts over operating disbursements	<u>108,168</u>	<u>42,981</u>	<u>9,920</u>	<u>161,069</u>
Non-operating receipts (disbursements)				
Loan proceeds	-	142,570	-	142,570
Debt service	-	(6,577)	-	(6,577)
Capital projects	<u>-</u>	<u>(126,536)</u>	<u>-</u>	<u>(126,536)</u>
Net non-operating receipts (disbursements)	<u>-</u>	<u>9,457</u>	<u>-</u>	<u>9,457</u>
Excess of receipts over disbursements	108,168	52,438	9,920	170,526
Transfers out	<u>(597)</u>	<u>(27,367)</u>	<u>-</u>	<u>(27,964)</u>
Net change in cash balances	107,571	25,071	9,920	142,562
Cash balances beginning of year	<u>343,682</u>	<u>(265,933)</u>	<u>88,767</u>	<u>166,516</u>
Cash balances end of year	<u>\$ 451,253</u>	<u>\$ (240,862)</u>	<u>\$ 98,687</u>	<u>\$ 309,078</u>
Cash Basis Fund Balances				
Unrestricted	<u>\$ 451,253</u>	<u>\$ (240,862)</u>	<u>\$ 98,687</u>	<u>\$ 309,078</u>

See notes to financial statements.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission during the year ended June 30, 2015, were \$310,614.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable Restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for property tax relief and community betterment.

The Tax Increment Financing Fund is used to account for the repayment of tax increment financing indebtedness.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Capital Project Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceeding classifications.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the capital projects function.

2. CASH

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 181,433	\$ 32,628	\$ 7,000	\$ 2,750	\$ 188,433	\$ 35,378
2017	196,433	21,525	7,000	2,607	203,433	24,132
2018	76,433	15,726	7,000	2,467	83,433	18,193
2019	76,433	14,630	7,000	2,327	83,433	16,957
2020	76,433	13,412	7,000	2,187	83,433	15,599
2021-2025	427,165	39,398	38,000	8,775	465,165	48,173
2026-2031	16,437	698	41,000	4,835	57,437	5,533
2031-2033	-	-	23,350	861	23,350	861
	<u>\$ 1,050,767</u>	<u>\$ 138,017</u>	<u>\$ 137,350</u>	<u>\$ 26,809</u>	<u>\$ 1,188,117</u>	<u>\$ 164,826</u>

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

3. BONDS PAYABLE – (Continued)

Sewer Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$143,350 of sewer revenue notes issued in February 2015. Proceeds from the notes provided financing for sewer system improvements. The notes are payable solely from sewer customer net receipts and are payable through 2034. The total principal and interest remaining to be paid on the notes is \$164,159. For the current year, principal and interest paid and total customer net receipts were \$6,577 and \$42,981 respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

The City has not established the sinking account as required by the sewer revenue note resolution.

4. PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. PENSION PLAN – (Continued)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$43,419.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$290,193. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0073172 percent, which was an increase of 0.0003780 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$21,720, \$15,961 and \$110,671 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2012)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership program.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. PENSION PLAN – (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	<u>1%</u>	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease 6.5%</u>	<u>Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
City's proportionate share of the net pension liability	548,312	290,193	72,314

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation	\$ <u>25,648</u>
----------	------------------

This liability has been computed based on rates of pay in effect at June 30, 2015.

6. SERVICE AGREEMENTS

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$162,687 for the year ended June 30, 2015.

7. HOSPITAL REVENUE NOTES

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa, of which \$5,687,046 is outstanding at June 30, 2015. The bonds and related interest are payable solely from the revenue of the hospital, and the bond principal and interest do not constitute liabilities of the City.

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise:	
	Sewer	\$ 27,367
	Capital Projects	676
		<u>28,043</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	413,298
	General	1,000
		<u>414,298</u>
Nonmajor	Special Revenue:	
	Local Option Sales Tax	10,500
	Tax Increment Financing	98,869
	Enterprise:	
	Water	597
		<u>109,966</u>
Total		<u>\$ 552,307</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

9. RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, in insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$51,375.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts the pools funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

9. RISK MANAGEMENT – (Continued)

After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 10 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$332-\$1,253 for single coverage, no employee is signed up for spouse health insurance coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$81,723. The City provides Single health insurance, therefore no members contribute.

11. DEFICIT FUND BALANCE

The special revenue, FEMA fund, Debt Service fund, the Capital Projects fund, and the Sewer fund had deficit balances of \$13,594 \$64,942 \$345,306 and \$240,862, respectively at June 30, 2015. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by intergovernmental receipts, special assessments, and transfers from other funds, increased rates, or cost reductions.

12. INTERGOVERNMENTAL AGREEMENT

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. State regulations also require the County to maintain a closure account as financial assurance for the closure costs pertaining to operating a transfer station. The costs to the County for compliance with these requirements have been estimated at \$326,760 and \$1,724, respectively according to the County's latest audit report available which was for the year ended June 30, 2014. The Ida County Landfill closed during fiscal year 2008.

The County has begun to accumulate resources to fund these costs and, at June 30, 2014, assets of \$360,750 are restricted for these purposes.

OTHER INFORMATION

CITY OF IDA GROVE
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary		Budgeted Amounts		Final
	Funds	Funds				To
	Actual	Actual	Total	Original	Final	Total
						Variance
Receipts:						
Property tax	\$ 910,173	\$ -	\$ 910,173	\$ 847,405	\$ 847,405	\$ 62,768
Tax increment financing	88,678	-	88,678	-	-	88,678
Other city tax	235,667	-	235,667	258,346	258,346	(22,679)
Licenses and permits	8,242	-	8,242	6,700	6,700	1,542
Use of money and property	57,940	-	57,940	28,225	28,225	29,715
Intergovernmental	475,433	-	475,433	720,011	720,011	(244,578)
Charges for service	136,965	751,458	888,423	1,378,344	1,378,344	(489,921)
Miscellaneous	<u>1,207,106</u>	<u>5,394</u>	<u>1,212,500</u>	<u>-</u>	<u>1,000,000</u>	<u>212,500</u>
Total receipts	<u>3,120,204</u>	<u>756,852</u>	<u>3,877,056</u>	<u>3,239,031</u>	<u>4,239,031</u>	<u>(361,975)</u>
Disbursements:						
Public safety	426,690	-	426,690	450,981	450,981	24,291
Public works	311,756	-	311,756	438,754	438,754	126,998
Health and social services	4,886	-	4,886	4,958	4,958	72
Culture and recreation	518,565	-	518,565	423,396	1,698,396	1,179,831
General government	201,607	-	201,607	213,919	213,919	12,312
Debt service	200,434	-	200,434	306,385	306,385	105,951
Capital projects	2,222,042	-	2,222,042	75,000	895,000	(1,327,042)
Business type activities	<u>-</u>	<u>728,896</u>	<u>728,896</u>	<u>1,118,032</u>	<u>1,274,032</u>	<u>545,136</u>
Total disbursements	<u>3,885,980</u>	<u>728,896</u>	<u>4,614,876</u>	<u>3,031,425</u>	<u>5,282,425</u>	<u>667,549</u>
Excess (deficiency) of receipts over disbursements	(765,776)	27,956	(737,820)	207,606	(1,043,394)	305,574
Other financing sources (uses)	<u>652,964</u>	<u>114,606</u>	<u>767,570</u>	<u>-</u>	<u>1,201,000</u>	<u>(433,430)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(112,812)	142,562	29,750	207,606	157,606	(127,856)
Balance, beginning of year	<u>1,176,089</u>	<u>166,516</u>	<u>1,342,605</u>	<u>1,195,460</u>	<u>1,195,460</u>	<u>147,145</u>
Balance, end of year	<u>\$ 1,063,277</u>	<u>\$ 309,078</u>	<u>\$ 1,372,355</u>	<u>\$ 1,403,066</u>	<u>\$ 1,353,066</u>	<u>\$ 19,289</u>

See accompanying independent auditor’s report.

CITY OF IDA GROVE
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
JUNE 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2015 the budget was amended two times which increased budgeted disbursements by \$2,251,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the capital projects function.

CITY OF IDA GROVE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
LAST FISCAL YEAR*
OTHER INFORMATION
JUNE 30, 2015

	<u>2015</u>
City's proportion of the net pension liability	0.0073172%
City's proportionate share of the net pension liability	\$ 290,193
City's covered-employee payroll	\$ 478,806
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF IDA GROVE
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
OTHER INFORMATION
JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 43,419	\$ 42,757	\$ 39,588	\$ 35,859	\$ 30,350	\$ 29,223	\$ 26,317	\$ 38,016	\$ 34,984	\$ 32,396
Contributions in relation to the statutorily required contribution	<u>(43,419)</u>	<u>(42,757)</u>	<u>(39,588)</u>	<u>(35,859)</u>	<u>(30,350)</u>	<u>(29,223)</u>	<u>(26,317)</u>	<u>(38,016)</u>	<u>(34,984)</u>	<u>(32,396)</u>
Contribution of deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 486,210	\$ 478,806	\$ 456,611	\$ 444,343	\$ 436,688	\$ 439,441	\$ 414,446	\$ 382,074	\$ 370,207	\$ 342,809
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	9.95%	9.45%	9.45%

CITY OF IDA GROVE
NOTES TO OTHER INFORMATION – PENSION LIABILITY
JUNE 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	<u>Special Revenue</u>			
	<u>Employee</u>		<u>Debt</u>	
	<u>Benefits</u>	<u>FEMA</u>	<u>Service</u>	<u>Total</u>
Receipts:				
Property tax	\$ 124,719	\$ -	\$ 25,007	\$ 149,726
Intergovernmental	-	114,136	-	114,136
Total receipts	<u>124,719</u>	<u>114,136</u>	<u>25,007</u>	<u>263,862</u>
Disbursements:				
Operating:				
Public safety	5,147	-	-	5,147
Public works	35,113	-	-	35,113
Culture and recreation	52,294	-	-	52,294
General government	30,442	-	-	30,442
Debt Service	-	-	200,434	200,434
Total disbursements	<u>122,996</u>	<u>-</u>	<u>200,434</u>	<u>323,430</u>
Excess (deficiency) of receipts over disbursements	1,723	114,136	(175,427)	(59,568)
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>109,966</u>	<u>109,966</u>
Net change in cash balances	1,723	114,136	(65,461)	50,398
Cash balances beginning of year	<u>53,706</u>	<u>(127,730)</u>	<u>519</u>	<u>(73,505)</u>
Cash balances end of year	<u>\$ 55,429</u>	<u>\$ (13,594)</u>	<u>\$ (64,942)</u>	<u>\$ (23,107)</u>
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ 55,429	\$ -	\$ -	\$ 55,429
Unassigned	-	(13,594)	(64,942)	(78,536)
Total cash basis fund balances	<u>\$ 55,429</u>	<u>\$ (13,594)</u>	<u>\$ (64,942)</u>	<u>\$ (23,107)</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF INDEBTEDNESS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Corporate purpose	October 1, 2006	3.85-3.90%	\$ 1,010,000	\$ 360,000	\$ -	\$ 115,000	\$ 245,000	\$ 13,865	\$ -
Infrastructure Note	November 1, 2011	2.25-4.25%	246,500	197,200	-	16,433	180,767	6,204	-
Corporate purpose	December 1, 2014	.80-2.75%	625,000	-	625,000	-	625,000	-	-
Total				<u>\$ 557,200</u>	<u>\$ 625,000</u>	<u>\$ 131,433</u>	<u>\$ 1,050,767</u>	<u>\$ 20,069</u>	<u>\$ -</u>
Revenue Note									
Sewer Revenue Note	February 20, 2015	2.00%	\$ 143,350	<u>\$ -</u>	<u>\$ 143,350</u>	<u>\$ 6,000</u>	<u>\$ 137,350</u>	<u>\$ 577</u>	<u>\$ -</u>

See accompanying independent auditor’s report.

CITY OF IDA GROVE
BOND AND NOTE MATURITIES
JUNE 30, 2015

Schedule 3

Year Ending June 30	General Obligation Bonds						Revenue Notes	
	Corporate Purpose		Infrastructure Note		Corporate Purpose		Sewer Revenue Note	
	Issued October 1, 2006		Issued November 1, 2011		Issued October 1, 2006		Issued February 20, 2015	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2016	3.85%	\$ 120,000	2.25%	\$ 16,433	0.80%	\$ 45,000	2.00%	\$ 7,000
2017	3.90	125,000	2.45	16,433	0.95	55,000	2.00	7,000
2018		-	2.65	16,433	1.10	60,000	2.00	7,000
2019		-	2.85	16,433	1.25	60,000	2.00	7,000
2020		-	3.05	16,433	1.65	60,000	2.00	7,000
2021		-	3.25	16,433	1.90	65,000	2.00	7,000
2022		-	3.45	16,433	2.30	65,000	2.00	7,000
2023		-	3.65	16,433	2.40	70,000	2.00	8,000
2024		-	3.85	16,433	2.50	70,000	2.00	8,000
2025		-	4.05	16,433	2.75	75,000	2.00	8,000
2026		-	4.25	16,437		-	2.00	8,000
2027		-		-		-	2.00	8,000
2028		-		-		-	2.00	8,000
2029		-		-		-	2.00	8,000
2030		-		-		-	2.00	9,000
2031		-		-		-	2.00	9,000
2032		-		-		-	2.00	9,000
2033		-		-		-	2.00	5,350
		<u>\$ 245,000</u>		<u>\$ 180,767</u>		<u>\$ 625,000</u>		<u>\$ 137,350</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 4

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:										
Property tax	\$ 910,173	\$ 896,181	\$ 854,120	\$ 829,035	\$ 775,057	\$ 722,906	\$ 700,117	\$ 701,960	\$ 635,260	\$ 603,344
Tax increment financing	88,678	88,818	66,612	157	105,358	42,301	43,268	42,211	4	34,908
Other city tax	235,667	222,315	217,873	208,068	239,915	204,590	72,214	27,497	60,731	44,748
Licenses and permits	8,242	7,533	7,285	7,380	6,233	6,711	6,606	7,979	7,921	6,870
Use of money and property	57,940	25,759	22,650	23,851	27,507	32,485	51,975	73,213	77,191	63,353
Intergovernmental	475,433	341,215	237,430	235,957	255,820	455,288	222,154	452,118	472,970	291,748
Charges for service	136,965	136,197	143,796	172,231	146,348	140,798	240,967	211,320	202,664	203,660
Special assessments	-	-	-	-	-	-	-	1,298	542	578
Miscellaneous	1,207,106	203,957	167,542	205,377	196,492	361,048	486,841	245,726	128,480	132,011
Total	<u>\$3,120,204</u>	<u>\$ 1,921,975</u>	<u>\$ 1,717,308</u>	<u>\$ 1,682,056</u>	<u>\$ 1,752,730</u>	<u>\$ 1,966,127</u>	<u>\$ 1,824,142</u>	<u>\$ 1,763,322</u>	<u>\$ 1,585,763</u>	<u>\$ 1,381,220</u>
Disbursements:										
Operating:										
Public safety	\$ 426,690	\$ 561,485	\$ 399,556	\$ 387,153	\$ 319,776	\$ 476,719	\$ 306,370	\$ 306,781	\$ 325,842	\$ 280,524
Public works	311,756	449,362	435,505	349,456	400,783	497,260	309,886	420,950	427,731	325,179
Health and social services	4,886	4,886	4,667	4,667	4,667	6,693	6,819	7,464	10,040	20,328
Culture and recreation	518,565	466,438	447,888	471,360	400,499	379,793	572,838	373,495	376,070	383,305
Community and economic development	-	4,000	-	-	-	125,000	-	-	-	-
General government	201,607	175,777	173,900	215,152	236,835	211,800	197,899	213,503	218,002	188,092
Debt service	200,434	204,049	217,065	146,665	161,398	166,612	161,443	182,727	112,965	90,965
Capital projects	2,222,042	91,199	57,398	426,957	223,680	458,523	72,891	158,749	505,168	207,824
Total	<u>\$3,885,980</u>	<u>\$ 1,957,196</u>	<u>\$ 1,735,979</u>	<u>\$ 2,001,410</u>	<u>\$ 1,747,638</u>	<u>\$ 2,322,400</u>	<u>\$ 1,628,146</u>	<u>\$ 1,663,669</u>	<u>\$ 1,975,818</u>	<u>\$ 1,496,217</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 9, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Ida Grove's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ida Grove's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Ida Grove's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ida Grove's Responses to Findings

City of Ida Grove's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Ida Grove's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hummelman, Putzier & Co., PLLC

March 9, 2016

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City continually monitors accounting procedures and in a small office it is difficult to have segregation of duties, as auditors would like. However, when fully staffed there are three employees available to divide the work so it isn't all done by two people.

Conclusion – Response accepted.

- (B) Separately Maintained Records - The Centennial Commission currently maintain bank accounts which are not included in the City's financial records. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – These funds should be included in the City's financial records and any disbursements should be budgeted.

Response – The Centennial Committee has three accounts utilizing the City's identification number. These accounts were set up using donations for the 1978 centennial celebration. Initial inquiries reveal these funds were intended for Ida Grove celebrations and/or promotions. City staff will contact the bank to discuss.

Conclusion – Response accepted.

- (C) Payroll - There was no indication the time cards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll on several of the time cards examined. Also, annual salary increases for City employees were approved based upon a percentage and the actual approved wages were not documented in the City Council minutes.

Recommendation - Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. Salaries of employees should be adequately documented in the City Council minutes.

Response – Procedures are now in place for the City Clerk's signature or initials after reviewing Mayor/Council and Fire Department payroll. Also, salary increases are now approved by resolution.

Conclusion – Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements: - (continued)

INTERNAL CONTROL DEFICIENCIES – (continued)

- (D) Financial Reporting – During our audit, we noted the City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in most organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply the cash basis of accounting in preparing the financial statements and the related disclosures.

Recommendation – The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response – The City Council is committed to employee training and encourages staff to seek ways to expand their knowledge base, but having an accounting degree is not yet a requirement of the job. The City will continue employing certified accounting personnel to prepare year-end financial statements or any necessary financial statements, and conduct an audit.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The disbursements were for construction costs at the new ball fields. The City Clerk will increase monitoring fund balances to avoid deficits in budget amendments throughout the fiscal year.

Conclusion – Response accepted.

- (2) Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions - We noted no business transactions between the City and City officials or employees.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting: - (continued)

- (6) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- (8) Revenue Notes – The City has not established the sinking account as required by the sewer revenue note resolution.

Recommendation – The City should establish the sinking account and make the transfers required by the resolution.

Response – The sinking fund will be established for the sewer revenue bonds and appropriate transfers will be made.

Conclusion – Response accepted.

- (9) Excess Balances - The following funds have balances at June 30, 2015, in excess of one year's expenditures:

Special Revenue - Road Use

Recommendation - While it appears that this fund may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – Excess funds in Road Use is being spent on replacing two city bridges that are currently under construction.

Conclusion – Response accepted.

- (10) Financial Condition - At June 30, 2015, the City had deficit balances in the Special Revenue, FEMA Fund, Debt Service Fund, Capital Projects Fund, and the Sewer Fund of \$13,594, \$64,942, \$345,306 and \$240,862, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response – The City Council approved a sewer rate increase which will over the next four years bring the sewer fund in a positive fund balance. The other fund balances will be reviewed by City staff and the City Council and transfer funds as appropriate.

Conclusion – Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting: - (continued)

- (11) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2014. However, the beginning and ending cash balances, and disbursements reported on the Levy Authority Summary do not agree with the City's records.

Recommendation – The City should ensure the balances reported on the Levy Authority Summary agree with the City's records.

Response – City staff will work with the Department of Management to make corrections on the urban renewal report to reflect beginning and ending cash balances and disbursements.

Conclusion – Response accepted.